

Message Text

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ACTION EB-07

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COME-00 DODE-00 FRB-01 H-01 INR-07 INT-05 L-02 LAB-04

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 5469

INFO AMEMBASSY NEW DELHI

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MANILA FOR USADB

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TAGS: ETRD, BG

SUBJ: BANGLADESH IMPORT POLICY JANUARY-JUNE 1975

REF: DACCA 3300

SUMMARY: MINISTER OF COMMERCE ON JANUARY 9 ANNOUNCED IMPORT POLICY FOR JANUARY-JUNE 1975 SHIPPING PERIOD. REFLECTING EXPECTATIONS FOR SHARPLY INCREASED DISBURSEMENTS OF COMMODITY AID AND SLIGHTLY IMPROVED FOREIGN EXCHANGE POSITION, \$375 MILLION PROGRAMMED FOR IMPORTS (OTHER THAN FOOD, DEVELOPMENT AND REHABILITATION AND CERTAIN GOVERNMENT ENTERPRISES). AMOUNT SUBSTANTIALLY INCREASED FROM \$293 MILLION ALLOCATED FOR PRECEDING JULY-DECEMBER PERIOD. EMPHASIS AGAIN PLACED ON IMPORT OF RAW MATERIALS, INDUSTRIAL SPARES AND INPUTS FOR EXPORT GOODS. END SUMMARY.

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1. MINISTER OF COMMERCE, KHANDAKER MUSTAQUE AHMED, ANNOUNCED THE

JANUARY TO JUNE, 1975 IMPORT POLICY IN A BANGLADESH RADIO AND TV SPEECH BROADCAST ON THE EVENING OF JANUARY 9. TAKA 3 BILLION (\$375 MILLION) HAS BEEN ALLOCATED FOR IMPORTS OTHER THAN THOSE FOR FOOD, RECONSTRUCTION AND REHABILITATION AND PUBLIC SECTOR DEVELOPMENT. THE TK. 3 BILLION IS EXCEEDED ONLY BY THE TK 3.2 BILLION ALLOCATION FOR THE JANUARY-JUNE, 1974 PERIOD. THIS AMOUNT MAKES THE 1974/75 FISCAL YEAR TOTAL TK 5.2 BILLION, SOMEWHAT HIGHER THAN THE TK 4.8 BILLION CALLED FOR IN 1974/75 ANNUAL DEVELOPMENT PLAN AND SUBSTANTIALLY LOWER THAN THE TK 6.6 BILLION CALLED FOR IN THE FIVE YEAR PLAN.

2. THIS AMOUNT IS SUBSTANTIALLY LARGER THAN THE \$293 MILLION PROGRAMMED FOR THE PRECEDING PERIOD, REFLECTING BDG EXPECTATIONS THAT COMMODITY AID DISBURSEMENTS WILL INCREASE SHARPLY AS RESULT, PRIMARILY, OF AN INFLUX OF AID FROM OIL EXPORTING ARAB STATES. IN ADDITION, THE FOREIGN EXCHANGE POSITION HAS IMPROVED SLIGHTLY FROM \$60 MILLION IN RESERVES IN JULY 1974 TO RESERVES OF \$125 MILLION ON DECEMBER 6. IMPROVEMENT IN RESERVES ACCOMPLISHED BY STARVING INDUSTRY DURING PREVIOUS SIX MONTHS.

3. MAIN FEATURES OF NEW IMPORT POLICY FOLLOW:

A. PRIORITY IS AGAIN GIVEN TO INDUSTRIAL RAW MATERIALS AND SPARES, ESPECIALLY FOR EXPORT INDUSTRIES AND ESSENTIAL CONSUMER GOODS INDUSTRIES. THE JUTE, TEXTILE, SUGAR, NEWSPRINT AND PAPER, OIL REFINING, FERTILIZER, TANNING, FROZEN SHRIMP, TEA, FISHING, WATER TRANSPORT, AND PHARMACEUTICAL INDUSTRIES WERE MENTIONED BY THE MINISTER AS RECIPIENTS OF PRIORITY CONSIDERATION FOR THE GRANTING OF LICENSES UNDER THE NEW IMPORT POLICY. LICENSES WILL BE GRANTED TO OTHER INDUSTRIAL CUSTOMERS ON THE BASIS OF MINISTRY OF INDUSTRIES RECOMMENDATIONS. THESE OTHER INDUSTRIES WILL BE ALLOCATED ABOUT HALF OF THE IMPORT LICENSES THEY REQUIRE, ACCORDING TO THE MINISTER.

B. FINANCING IS TO BE DIVIDED AS FOLLOWS:

	JULY-DECEMBER 1974	JANUARY-JUNE 1975
EXPORT EARNINGS	49 PERCENT	24 PERCENT
AID DISBURSEMENTS	49 PERCENT	62 PERCENT
BARTER	LESS THAN 1 PERCENT	7 PERCENT
WAGE EARNERS SCHEME	-	6 PERCENT
OTHER	1 PERCENT	1 PERCENT

C. EXPORT PROMOTION. EVERY SIGNIFICANT EXPORT INDUSTRY WAS LIMITED OFFICIAL USE

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INCLUDED IN THE LIST OF INDUSTRIES TO RECEIVE "PRIORITY CONSIDERATION" IN THE GRANTING OF LICENSES. COMMERCE MINISTER AHMED STATED THAT THE AIM OF THIS IMPORT POLICY IS TO MORE FULLY UTILIZE EXISTING INDUSTRIAL CAPACITY THROUGH IMPORTING NECESSARY RAW MATERIALS AND SPARES.

D. SPECIAL PROVISIONS. PHARMACEUTICAL INDUSTRY ALLOWED 150 PERCENT OF THEIR REGULAR LICENSE ENTITLEMENTS (NO OTHER INDUSTRY ALLOWED INCREASED ENTITLEMENTS). INDUSTRIAL RAW MATERIALS, IN-

CLUDING THOSE COMMERCIALLY IMPORTED, WILL BE IMPORTED DUTY FREE. HOWEVER, COMMERCIALLY IMPORTED RAW MATERIALS ARE LIMITED TO: DYES, CHEMICALS, PIG IRON, IRON AND STEEL PRODUCTS, YARN (BELOW 20 COUNT AND ABOVE 60 COUNT) AND THERMOPLASTIC MOULDING COMPOUND (PVC). THE DUTY FOR SYNTHETIC FABRICS IMPORTED UNDER THE WAGE EARNERS SCHEME HAS BEEN INCREASED FROM 100 TO 200 PERCENT.

4. COMMENT: AHMED FARID, JOINT SECRETARY, MINISTRY OF COMMERCE, ADMITTED IN A JANUARY 14 MEETING THAT EVEN MODEST GOALS OF JULY-DECEMBER 1974 POLICY WERE NOT MET. SHORTFALL IN NEIGHBORHOOD OF 25 PERCENT. THIS IMPORT POLICY PLACES REDUCED RELIANCE ON EXPORT EARNINGS BOTH IN ABSOLUTE (DROP FROM \$145 MILLION TO \$90 MILLION) AND RELATIVE (DROP FROM 49 PERCENT TO 24 PERCENT) TERMS AND INCREASED RELIANCE ON COMMODITY AID DISBURSEMENTS (FROM \$145 MILLION TO \$236 MILLION). FOREX RESERVES DOUBLED DURING JULY-DECEMBER 1974 SHIPPING PERIOD BUT RESERVES WERE AT EXTREME LOW POINT IN JULY 1974 AND INCREASE WAS RESULT OF REDUCING IMPORT OF SPARES AND RAW MATERIALS WHICH MAY HAVE DELETERIOUS EFFECTS ON FUTURE EXPORTS. PAST EXPERIENCE ARGUES AGAINST A \$100 MILLION JUMP IN NON-FOOD COMMODITY AID DISBURSEMENTS (EVEN IF MONEY IS AVAILABLE) IN THE JANUARY-JUNE 1975 SHIPPING PERIOD. EXPORTS OF JUTE AND JUTE PRODUCTS HAVE FALLEN SHARPLY BECAUSE OF ECONOMIC PROBLEMS IN THE US AND EUROPE, THUS REDUCING EXPORT EARNINGS. THIS COMBINATION OF FACTORS LEADS US TO BELIEVE THAT THE CHANCES OF ACHIEVING THE GOALS OF THIS IMPORT POLICY ARE SLIM INDEED.
CHESLAW

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